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IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD



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| GALLEON S.A., BACARDI-MARTINI U.S.A., INC. and BACARDI & COMPANY LIMITED, | : | Cancellation No. 24,108 |
| Petitioners | : | |
| v. | : | |
| HAVANA CLUB HOLDING, S.A. and HAVANA RUM & LIQUORS, S.A. d/b/a H.R.L., S.A. | : | |
| Respondents. | : | |

## NOTICE OF CROSS-MOTION PURSUANT TO RULE 56(f), F.R.C.P.

To Havana Club Holdings, S.A., Havana Rum & Liquors, S.A. d/b/a H.R.L., S.A. and their attorneys of record:

PLEASE TAKE NOTICE that, pursuant to Rule 56(f), Federal Rules of Civil Procedure, and the Trademark Rules of Practice, Petitioners Galleon, S.A., BACARDI-MARTINI U.S.A., Inc. and Bacardi & Company Limited (collectively, "Petitioners"), by this notice and upon the accompanying affidavits of William R. Golden, Jr., dated January 6, 1997, and Jennifer Bernheim, dated January 6, 1997, and the exhibits thereto and the memoranda of law, and upon all prior pleadings and proceedings had herein, move the

Trademark Trial and Appeal Board for an Order:

I. Granting Petitioners' Rule 56(f) Motion and refusing summary judgment to Respondents, or, in the less preferred alternative, providing for a Continuance Allowing Discovery to be Had; and

II. Granting Petitioners such other and further relief as the Board deems just and proper.

Dated: New York, New York
January 6, 1997

KELLEY DRYE & WARREN
Attorneys for Petitioners
GALLEON S.A.,
BACARDI-MARTINI U.S.A., INC. and
BACARDI & COMPANY LIMITED

By: William R. Golden, Jr.

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Attorneys for
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Havana Rum & Liquors, S.A.
740 Broadway - Fifth Floor
New York, New York 10003

## NY27/FERGM/73753.21

<u>CERTIFICATE OF SERVICE</u>

The undersigned hereby certifies that a true copy of the foregoing NOTICE OF CROSS-MOTION PURSUANT TO RULE 56(f), F.R.C.P. has been served upon Respondents' attorneys, Michael Krinsky, Esq. at Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., at 740 Broadway, 5th Floor, New York, New York 10003 the address designated by said attorney for that purpose by depositing a true copy thereof with the United States Postal Service as first-class mail on January 6, 1997.

Dated: January 6, 1997

Margaret Carrington

Margaret Carrington

## NY27/FERGM/73756.21

## CERTIFICATE OF MAILING

**Express Mail, Label No. EG179584326**

**Date of Deposit: January 6, 1997**

The undersigned hereby certifies that the foregoing NOTICE OF CROSS-MOTION PURSUANT TO RULE 56(f), F.R.C.P. is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 CFR 1.10 on the date indicated above and is addressed to BOX TTAB-NO FEE, Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, Virginia 22202-3513

Margaret Carrington

Margaret Carrington

## NY27/FERGM/73756.21

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE
BEFORE THE TRADEMARK TRIAL AND APPEAL BOARD

GALLEON S.A.,
BACARDI-MARTINI U.S.A., INC. and
BACARDI & COMPANY LIMITED,

Petitioners,

- against -

HAVANA CLUB HOLDINGS, S.A. and
HAVANA RUM & LIQUORS, S.A. d/b/a
H.R.L., S.A.,

Respondents.

Cancellation No.: 24,108

**PETITIONERS' MEMORANDUM OF LAW IN SUPPORT OF THEIR RULE 56(f) MOTION FOR A REFUSAL OF SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, FOR A CONTINUANCE ALLOWING DISCOVERY TO BE HAD**

KELLEY DRYE & WARREN
Attorneys for Petitioners
101 Park Avenue
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**PETITIONERS' MEMORANDUM OF LAW IN SUPPORT OF THEIR RULE 56(f) MOTION FOR A REFUSAL OF SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, FOR A CONTINUANCE ALLOWING DISCOVERY TO BE HAD**

## I.

## PRELIMINARY STATEMENT

Petitioners submit this memorandum of law in opposition to Respondents' Summary Judgment Motion and in support of Petitioner's Cross-Motion, pursuant to Rule 56(f), Federal Rules of Civil Procedure, seeking an order refusing summary judgment, or, in the alternative, providing for a continuance allowing discovery to be had.[1]

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[1] Galleon S.A., BACARDI-MARTINI USA, Inc., ("BACARDI-MARTINI") and Bacardi & Company Limited ("Bacardi") will be referred to herein collectively as "Petitioners".

Respondents' tactics are plainly to avoid discovery at all costs. After the original cancellation petition was served in this proceeding, Respondents moved the Board for an extension of time to respond. Respondents took the additional time to prepare a motion to dismiss. The majority of Petitioners' original claims withstood that motion, and Petitioners, thereupon, filed a Supplemental and Amended Petition for Cancellation in accordance with the Board's order on August 19, 1996. Again, Respondents sought further time to respond to the Supplemental and Amended Petition on the pretext that communications with its clients were difficult. Again, Respondents used the extension granted, not simply to prepare an answer, but rather to prepare extensive summary judgment papers and affidavits. On October 18, 1996, Respondents answered and simultaneously brought on a Motion for Summary Judgment.

Under Trademark Rule 2.127(d), the filing of the summary judgment motion suspended the proceedings with respect to all non-related matters, including discovery (as did the earlier filing of the motion to dismiss). Therefore, Petitioners have never had an opportunity to take discovery in this proceeding through no want of diligence on their part.

Three of Petitioners' four claims for cancellation sound in fraud or misrepresentation. The remaining claim is premised, in part, on allegations that Respondents wilfully violated U.S. law. The assiduousness with which Respondents strive to avoid discovery only serves to lend credence to Petitioners' claims. The law is clear that Petitioners must be allowed discovery before Respondents' Summary Judgment Motion is entertained.

## II.

## ARGUMENT

### A. Respondents' Motion for Summary Judgment Prior to any Discovery Is Premature Under Rule 56(f)

To protect nonmoving parties--like Petitioners--from summary judgment before the discovery necessary to develop a case has been had, Rule 56(f) provides that:

> [s]hould it appear from the affidavits of a party opposing the motion that the party cannot for reasons stated present by affidavit facts essential to justify the party's opposition, the court may refuse the application for judgment or may order a continuance to permit affidavits to be obtained or depositions to be taken or discovery to be had or may make such other order as is just.

F.R.C.P. 56(f); *see also In re Korean Air Lines Disaster*, 597 F. Supp. 613, 618 (D.D.C. 1984) ("central purpose of Rule 56(f) is to ensure that diligent plaintiffs have the opportunity to pursue avenues of discovery"); 10A Wright, Miller & Kane, *Federal Practice & Procedure* § 2740 (1983) (Rule 56(f) provides "an additional safeguard against an improvident or premature grant of summary judgment . . ."). The Rule 56(f) Affidavit of William R. Golden, Jr., submitted herein, sets out the reasons why discovery is necessary and identifies with particularity the discovery Petitioners seek.

The United States Supreme Court has made it clear that summary judgment is inappropriate unless a tribunal first permits the parties adequate time for discovery. *Celotex Corp. v. Catrett*, 477 U.S. 317 (1986); *see also Burnside-Ott Aviation Training Center, Inc. v. U.S.*, 985 F.2d 1574, 1581 (Fed. Cir. 1993).

A controlling decision mandating the granting of Petitioners' Rule 56(f) motion is *Opryland U.S.A., Inc. v. The Great American Music Show, Inc.*, 970 F.2d 847, 852, 23

U.S.P.Q.2d 1471 (Fed. Cir. 1992). The Federal Circuit, in *Opryland*, vacated the summary judgment decision of the Board denying cancellation of the registration of the service mark at issue. The Federal Circuit held that the Board erred in denying the petitioner the right, in accordance with Rule 56(f), to obtain evidence directly related to the principal issues raised by respondent for summary adjudication:

> Since [petitioner] has shown a sufficient basis for its need of additional discovery, it cannot be deprived of the discovery needed to place at issue material factual questions in opposition to the motion. That is the safeguard to which Rule 56(f) is directed. See *Celotex Corp. v. Catrett*, 477 U.S. 317, 326, 106 S.Ct. 2548, 2554, 91 L.Ed.2d 265 (Rule 56(f) provides nonmovants with protection from being "railroaded" by premature summary judgment motions); *National Life Ins. Co. v. Solomon*, 529 F.2d 59, 61 (2d Cir. 1975) (summary judgment is improper when the opposing party has yet to exercise pretrial discovery).
>
> Thus, when the discovery is reasonably directed to "facts essential to justify the party's opposition", in the words of Rule 56(f), such discovery must be permitted or summary judgment refused. See *Anderson*, 477 U.S. at 250 n. 5, 106 S.Ct. at 2511 n. 5.

*Opryland U.S.A.*, 970 F.2d at 852 (some footnotes and citations omitted).

This Board likewise has held pursuant to Rule 56(f) that "it is well settled that the granting of a motion for summary judgment is inappropriate where the responding party has been denied discovery needed to enable it to respond to the motion." *Orion Group, Inc. v. The Orion Insurance Group P.L.C.*, 12 U.S.P.Q.2d 1923 (T.T.A.B. 1989).

Appellate courts, accordingly, have recognized that:

> [t]he party opposing a motion for summary judgment has a right to challenge the affidavits and other factual materials submitted in support of the motion by conducting sufficient discovery so as to enable him to determine whether he can furnish other affidavits.

*Snook v. Trust Company of Georgia*, 859 F.2d 865, 870 (11th Cir. 1988) (holding that under Supreme Court's treatment of Rule 56(f) "summary judgment may only be decided upon an adequate record").

Here, the need for discovery is made patent by respondents' submissions in support of their Motion for Summary Judgment. Those submissions include twenty-four (24) affidavits a number of which are sworn to by residents of Cuba. Petitioners are entitled to depose these affiants and to direct interrogatories and pose document requests relating to the subject matters they have testified to in their sworn statements. Moreover, much of the documentation Respondents rely upon for summary judgment is redacted or abridged so as to present before the Board only those portions of the documentary record that is helpful to Respondents. Petitioners are entitled to full document discovery under both the Trademark Rules and the Federal Rules of Civil Procedure. For instance, Respondents have failed to include a complete copy of the contract of sale and the purported assignment of the HAVANA CLUB mark from Havana Rum & Liquors, S.A. d/b/a H.R.L., S.A. ("HRL") to Havana Club Holdings, S.A. ("Havana Holdings") and have also failed to include a complete copy of the licensing agreement in which Havana Holdings purportedly granted Havana Club International, S.A. ("Havana Club International") exclusive use of the HAVANA CLUB trademark. (See Exhibit B to Sosa Declaration). Likewise, Respondents have failed to provide a complete copy of the agreement between Cuba Ron, S.A. and Havana Club International, whereby Cuba Ron purportedly exercises quality control over the HAVANA CLUB rum-making processes. The specifications and characterizations for HAVANA CLUB rum are purportedly attached to lists which are referenced in the partial copy of the agreement, but not attached to it. (See Exhibit F to Abarrategui Declaration II).

Furthermore, the production of HAVANA CLUB rum was purportedly transferred from Empresa de Bebidas y Liquores to Cuba Ron, but seemingly no copies of this transfer agreement has been included in Respondents' summary judgment papers. (See Abarrategui Declaration 2, ¶ 9)

Furthermore, Respondents claim that an entity known as Cubacontrol, S.A. ("Cubacontrol") purportedly inspects all rum before its export from Cuba, and that all the companies which have sold and distributed HAVANA CLUB rum, starting with Cubaexport, have each signed contracts with Cubacontrol to oversee and control the quality of the rum product for export. These purported contracts, however, have not been included in Respondents' summary judgment papers. Obviously, the nature of the relationship between Cubacontrol and the supposed owners of the HAVANA CLUB and Design trademark is crucial to this cancellation proceeding.

Clearly, Petitioners are also entitled to obtain complete copies of all agreements pertaining to the transfer and licensing of the HAVANA CLUB and Design mark. Petitioners are further entitled to use these documents in depositions to ferret out the truth of what really happened with respect to the reorganization of the business associated with the HAVANA CLUB and Design mark and the related purported transfers of the U.S. rights to that mark and the Related U.S. Registration. Complete copies of these documents, which pertain to issues that are central to the assignment-in-gross and misrepresentation claims of Petitioners, are relevant and essential to Petitioners' case-in-chief. Summary judgment is clearly inappropriate since Petitioners have thus far been denied the opportunity to obtain and use these documents in discovery.

Petitioners' proposed discovery requests, including Petitioners' Document Production Requests, Interrogatories, and Notices of Deposition are annexed to the affidavit of William R. Golden, Jr. dated January 6, 1997 (the "Golden Aff.").[2] In the normal course of federal court proceedings, Petitioners would have had the right to propound these requests regardless of whether a summary judgment motion has been made since there is no equivalent in the Federal Rules to Trademark Rule 2.127(d) which automatically suspends discovery proceedings upon filing of a dispositive motion. The mere pendency of outstanding discovery requests would provide grounds for denial of summary judgment in such a proceeding.

The case law makes it quite clear that Petitioners may not be cut off from their right to have adequate discovery to prepare their case-in-chief, particularly where certain of Petitioners' claims sound in fraud and misrepresentation. Petitioners should be afforded the opportunity to depose the affiants, whose statements Respondents are relying on in moving for summary judgment.

### B. Discovery is Mandated Where, as Here, Respondents' Alleged Fraud is a Central Issue

Where, as here, fraud and misrepresentation are central issues of Petitioners' claims, it is particularly inappropriate to hear a motion for summary judgment without first affording the nonmoving party the opportunity to obtain relevant discovery. For example, in *Dunkin' Donuts of America, Inc. v. Mettallurgical Exoproducts Corp.*, 840 F.2d 917, 918, 6 U.S.P.Q.2d 1026 (Fed. Cir. 1988), the Federal Circuit held that summary judgment could

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[2] A Motion for Cause to Take Depositions upon Oral Examination and a Memorandum of Law in Support of the Motion for Cause, have also been served and filed.

not be entered until the party opposing registration had the opportunity, through discovery, to gather evidence as to the intent of the applicant, where the opposer alleged that applicant's use of the mark DUNKIN DONUT for chemical deoxidizers disparaged opposer's mark "DUNKIN' DONUTS" for food products and restaurant services.

Evidence relating to fraud and misrepresentations generally reposes in defendants' own hands. The Federal Circuit and the Board consistently have applied Rule 56(f) to overturn awards of summary judgment in cases where proof is largely in the hands of the respondents and the plaintiff has not had an opportunity to get at that evidence. *See, e.g., Orion Group, Inc. v. The Orion Insurance Group P.L.C.*, 12 U.S.P.Q.2d 1923 (T.T.A.B. 1989) ("Opposer has set forth specific issues of fact on which it asserts it needs information which is in applicant's control, such as facts relating to use of its mark in the United States, the specific services offered by applicant in the United States under this mark, and the applicant's compliance with the laws and regulations governing the insurance industry in the United States. These types of issues are central issues in this opposition proceeding, and opposer is entitled to discovery thereon prior to responding to applicant's motion for summary judgment").

Respondents, based on affidavits by captive witnesses who have never been subject to examination by Petitioners and based on their own selective culling of documents, urge the Board to conclude summarily that the Respondents acted in good faith. If defendants in fraud cases were allowed carte blanche to determine what their own witnesses were allowed to say and what documents should be made available from their own files, then plaintiffs plainly would never prevail in fraud suits.

Having made their bona fides a central issue of their summary judgment papers, Respondents cannot be heard to complain now that Petitioners require discovery as to the knowledge and intent of Respondents prior to submitting their opposition papers. Proof of Respondents' intentions, is information largely within their possession. Accordingly, Petitioners under Rule 56(f) must be afforded an opportunity to take necessary depositions and to obtain responses to their interrogatories and document production requests. (Petitioners' specific discovery needs are fully set forth in the Golden Aff. and in the accompanying discovery requests.)

Furthermore, Petitioners require further information pertaining to the knowledge of Respondents and their counsel with respect to the alleged violations of the Treasury Department's Cuban Asset Control Regulations ("CACR"). Petitioners' claim (supported by the OFAC Letter: Ex K to the Bernheim Affidavit) is that these regulations were wilfully violated in connection with the purported trademark assignments at issue and the purported renewal of the HAVANA CLUB and Design mark was fraudulent and ineffective. As this Board has held in *Orion,* evidence concerning compliance with government regulations is a matter uniquely within the possession of Respondents, and Petitioners are entitled to obtain discovery on this issue.

## III.

## CONCLUSION

For all the foregoing reasons, Petitioners respectfully request that the Board deny respondents' Motion for Summary Judgment, or in the alternative, order a continuance permitting Petitioners to have a full and fair opportunity to complete their discovery.

Dated: New York, New York
January 6, 1997

KELLEY DRYE & WARREN LLP
Attorneys for GALLEON S.A.,
BACARDI-MARTINI, U.S.A., Inc.,
and BACARDI & COMPANY, LIMITED

By: William R. Golden, Jr.
William R. Golden, Jr.
101 Park Avenue
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(212) 808-7800

<u>CERTIFICATE OF SERVICE</u>

The undersigned hereby certifies that a true copy of the foregoing PETITIONERS' MEMORANDUM OF LAW IN SUPPORT OF THEIR RULE 56(f) MOTION FOR A REFUSAL OF SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, FOR A CONTINUANCE ALLOWING DISCOVERY TO BE HAD has been served upon Respondents' attorneys, Michael Krinsky at Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., at 740 Broadway, 5th Floor, New York, New York 10003, the address designated by said attorney for that purpose by depositing a true copy thereof with the United States Postal Service as first-class mail on January 6, 1997.

Dated: January 6, 1997

Margaret Carrington

Margaret Carrington

<u>CERTIFICATE OF MAILING</u>

**Express Mail Label No.:** EG179584326US

**Date of Deposit: January 6, 1997**

The undersigned hereby certifies that a true copy of PETITIONERS' MEMORANDUM OF LAW IN SUPPORT OF THEIR RULE 56(f) MOTION FOR A REFUSAL OF SUMMARY JUDGMENT, OR IN THE ALTERNATIVE, FOR A CONTINUANCE ALLOWING DISCOVERY TO BE HAD is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 CFR 1.10 on the date indicated above and is addressed to Box TTAB NO FEE, Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, Virginia 22202-3513.

Margaret Carrington

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H.R.L., S.A.,

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Cancellation No.: 24,108

**PETITIONERS' MEMORANDUM OF LAW
IN OPPOSITION TO RESPONDENTS' MOTION
FOR SUMMARY JUDGMENT**

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**PETITIONERS' MEMORANDUM OF LAW IN OPPOSITION TO RESPONDENTS' MOTION FOR SUMMARY JUDGMENT**

## I.

## PRELIMINARY STATEMENT

Petitioners submit this memorandum of law in opposition to Respondents' Summary Judgment Motion and in further support of Petitioners' cross-motion pursuant to Rule 56(f) of the Federal Rules of Civil Procedure.

## II.

## BACKGROUND AND STATUS OF THE PROCEEDING

This is a proceeding to cancel U.S. Registration No. 1,031,651 of the trademark HAVANA CLUB and Design for "rum". Petitioners' Supplemental and Amended

Petition for Cancellation asserts four claims for cancellation: (I) Fraud in Obtaining and Maintaining Registration; (II) False and Fraudulent Renewal by Respondent Havana Club Holdings, S.A.; (III) Abandonment, and (IV) Misrepresentation of Goods.

No discovery has been taken by any of the parties to this proceeding. On October 18, 1996, Respondents answered Petitioners Supplemental and Amended Petition for Cancellation and simultaneously moved for summary judgment. Petitioners have moved to extend the time to answer, move, or otherwise respond to Respondents' Summary Judgment motion through and including January 6, 1997.

A. **The Parties**

Petitioners. The Petitioners are Galleon S.A. ("Galleon"), BACARDI-MARTINI U.S.A., Inc. ("BACARDI-MARTINI",) and Bacardi & Company Limited ("Bacardi").[1] Galleon is a Bahamian international business company with its principal place of business at 49 Collins Avenue, Nassau, Commonwealth of the Bahamas. BACARDI-MARTINI is a Delaware corporation with its principal place of business in Miami, Florida. Bacardi is a Liechtenstein company with its principal place of business at Millar Road, Nassau, the Bahamas.

BACARDI-MARTINI is engaged in the business of importing, distributing, and selling distilled spirits, including BACARDI and CASTILLO rums, in interstate commerce throughout the United States. Galleon is engaged in the spirits business and is the

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[1] Undisputed background facts are taken from admissions made in Respondents' Answer, from Respondents' own affidavits, and from Respondents' allegations in their complaint filed in the United States District Court for the Southern District of New York last week, a copy of which is annexed to the Bernheim Affidavit. Copies of relevant PTO records are also attached as exhibits to the Bernheim Affidavit.

owner of App. Ser. No. 74/572,667 to register the mark HAVANA CLUB for "rum and rum specialty drinks" in International Class 33. Bacardi is the owner of the internationally renowned name and mark BACARDI and the worldwide registrations thereof and the related business and goodwill. Bacardi is the successor of Compania Ron Bacardi S.A., a Cuban joint-stock company that was formerly headquartered in Santiago de Cuba.

Respondents. The Respondents are Havana Club Holdings, S.A. ("Havana Holdings") and Havana Rum & Liquors, S.A. d/b/a H.R.L., S.A. ("HRL"). Respondent Havana Holdings is a Luxembourg corporation established in November 1993 which has offices in Paris, France. Respondent HRL is a Cuban corporation organized in 1993. Empressa Cubana Exportadora de Alimentos y Productos Varios (Cuban Export Enterprise of Food and Various Products) d/b/a Cubaexport ("Cubaexport") was the original record owner of U.S. Registration No. 1,031,651 at issue herein. Cubaexport, a Cuban state enterprise, was incorporated under the laws of Cuba in 1965 for the purpose of exporting foods and other products. Cubaexport maintained offices at 55, 23rd Street, Vedado, Havana Cuba.

### B. Prior U.S. Registrations of the HAVANA CLUB and Design Mark

The only entity to have ever lawfully used the trademark HAVANA CLUB for "rum" in interstate commerce in the United States is Jose Arechabala, S.A. ("Arechabala") of Cardenas, Cuba, which first used said mark at least as early as the 1930's. On May 14, 1935, the trademark HAVANA CLUB for "Ethyl alcohol, rum, etc." was registered under No. 324,385 and on June 16, 1936, the trademark HAVANA CLUB and Design for "Rum, etc." was registered under No. 335,919 in the United States Patent and Trademark Office (the "PTO"), by Arechabala (Bernheim Aff. Ex. B). The design portion of the latter registered mark included the words "Founded 1878". Thereafter, on August 11, 1953, Arechabala was issued two registrations of label design marks incorporating the words "HAVANA CLUB" on the Supplemental Register under Nos. 578,679 and 578,680, respectively (*Id.* Ex. B). The registration of the mark HAVANA CLUB for rum on the principal register owned by Arechabala was obtained under § 2(f) of the Lanham Act, which indicates that the mark HAVANA CLUB had obtained secondary meaning in the United States.

On October 13, 1960, representatives of the Castro government forcibly entered into possession and confiscated the property and physical assets of Compania Ron Bacardi, S.A., Arechabala and certain other companies. Cubaexport does not claim in this proceeding to be the successor to Arechabala.

### C. Petitioners' Use of the HAVANA CLUB Mark

Bacardi and Galleon have filed ITU applications expressing a *bona fide* intent to produce rum in the future in a democratic Cuba. BACARDI-MARTINI has also imported and distributed rum under the HAVANA CLUB Mark in the United States made under authority granted by Galleon.[2] That rum being sold in the U.S. under the trademark HAVANA CLUB is being carefully made in the style developed by Cuban rum masters prior to Castro's unlawful confiscation of the distilleries of Bacardi and other Cuban rum producers. To emphasize the Cuban heritage of Petitioners' rum, Petitioners also intend to market other products under brand names and marks that feature the word HAVANA.

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[2] When the President of the United States, pursuant to the Cuban Democracy Act of 1992, 22 U.S.C.A. Section 6007(b), certifies that a democratic government has been re-established in Cuba such that the U.S. trade embargo with Cuba is lifted, then Petitioners intend once again to produce rum in Cuba, the land where Bacardi's rum business began.

Bacardi has several I-T-U applications pending, including ones for registration of the marks HABANO CLASSICO and OLD HAVANA.

As American consumers are well aware due to the long-standing embargo of items manufactured in Cuba, rum produced there cannot at present be lawfully sold in or imported into the United States. Bacardi, nonetheless, intends to expand the array of rums Bacardi is presently offering and selling in the United States, particularly Cuban-style rums which are refined, aged, and blended using the processes and formulae perfected by Bacardi's predecessors in Cuba and taken outside of Cuba by Bacardi after Castro's usurpation of power.

**D. The U.S. HAVANA CLUB Registration**

A trademark consisting of the designation HAVANA CLUB and Design was registered in the PTO under No. 1,031,651 (the "Related U.S. Registration") by Cubaexport on January 27, 1976, based on a purported Cuban Registration No. 110,353, dated February 12, 1974, pursuant to Section 44 of the Lanham Act, 15 U.S.C. § 1126. The design portion of the mark included the Spanish legend "Fundado en 1878" and the depiction of a figure in a circle holding a cross or sword.

There is presently in place in the United States a total trade and financial embargo against goods of Cuban origin which prohibits their importation into the United States and which also prohibits the transfer of any property interests (including assignments of U.S. trademarks) in which Cuba or any Cuban national has any interest of any nature whatsoever. Any payments to Cuba or to a Cuban national in connection with such transfers is also prohibited by the Regulations. *See* Cuban Asset Control Regulations, 31 CFR Part 515 ("CACR").

Notwithstanding the existence of the CACR, the HAVANA CLUB and Design mark for the United States and the Related U.S. Registration (both U.S.-based property interests) were allegedly subject to a series of assignments in recent years. Cubaexport purportedly entered into agreements on October 29, 1993, and January 10, 1994 pursuant to which it assigned the rights to the HAVANA CLUB and Design mark and the Related U.S. Registration to HRL. On June 22, 1994, HRL purportedly assigned its interests in said mark and registration, for good and valuable consideration, to Havana Holdings, a Luxembourg corporation. Havana Holdings then purportedly renewed Registration No. 1,031,651 of the mark HAVANA CLUB and Design in the United States.

It is Petitioners' position quite simply that in or around October 1993, Cubaexport, a Cuban governmental entity agreed, in knowing and direct contravention of the CACR, to transfer the rights to the HAVANA CLUB and Design mark, the Related U.S. Registration, and the right to distribute HAVANA CLUB rum in the United States to an entity controlled by Pernod, a French company. In consideration for this transfer of U.S. property interests, substantial monies were paid directly to the Cuban government or entities controlled by the Cuban government.

Respondents, in an effort to conceal their violations of the CACR, appeared to have engaged in certain sham transactions and purported assignments involving the U.S. rights to the HAVANA CLUB mark and the Related U.S. Registration. Finally, without disclosing to OFAC the full facts of the transactions or the consideration paid to Cuban nationals, Respondents and others apparently attempted in 1995 to get a license to retroactively authorize these assignments. If the fair inferences we have drawn from the undisputed facts are indeed correct, then the license was procured by fraud.

## III.

## INTRODUCTION TO ARGUMENT

### A. Petitioners' Claims Pose Disputed Issues of Fact

Three of the four claims for cancellation at issue sound in fraud or misrepresentation. Petitioners intend to establish through discovery that Cubaexport committed fraud in obtaining and maintaining its registration of the HAVANA CLUB mark and that this mark was fraudulently renewed by Havana Holdings. Petitioners further contend that Respondents have deliberately misused the HAVANA CLUB mark to misrepresent the source of its origin.

Respondents naturally contend there was no fraud: trust us, we did no wrong is their plea. What the knowledge and intentions of Cubaexport and Havana Holdings were in obtaining, maintaining, and renewing the U.S. registration at issue must await discovery as shown by the case law cited in Petitioners' accompanying Rule 56(f) memorandum of law. Again, discovery will be necessary to show Respondents' fraudulent intent with respect to the misuse of the HAVANA CLUB and Design mark.

Fraud claims are singularly unsuited for summary adjudication. Respondents' states of mind, intentions,and knowledge all are factual issues which must be deemed to be disputed at this early pre-discovery stage.

The remaining claim for cancellation alleges that the HAVANA CLUB and Design mark was abandoned as a result of unlawful and ineffective assignments-in-gross. Respondents argue that the "facts" established in their voluminous papers show there was no violation of the CACR and there were no assignments-in-gross. A complete refutal of the assertion that the lawfulness of the transfers has been conclusively established is found in the letter from the Office of Foreign Assets Control ("OFAC"), U.S. Treasury Department, to Ignacio Sanchez, Esq., dated December 19, 1996 (Ex. K, Bernheim Aff., the "OFAC Letter"), which states as follows:

> "With regard to the HAVANA CLUB trademark, a review of our licensing files shows no license was issued to authorize the assignment of the trademark as described in your letter . . . . In the absence of OFAC authorization, the assignment of rights to the U.S. registered trademark would be null and void."

Thus, the question of the lawfulness of the alleged transfers is still very much in dispute as are the facts underlying them.

If the assignments were ineffective to transfer title to the U.S. trademark and if the business and goodwill associated with that trademark were nevertheless sold off as Respondents concede, then plainly the assignments were naked assignments. Furthermore, whatever residual rights Cubaexport had were extinguished when it failed to timely renew the U.S. registration of the HAVANA CLUB and Design mark.

**B. The Standard for Summary Judgment**

Rule 56(c) provides for the entry of summary judgment when:

> the pleadings, depositions, answers to interrogatories, and admissions on file together with the affidavits, if any, show that there is no genuine issue as to any material fact and that the moving party is entitled to judgment as a matter of law.

*See, e.g.,* FRCP 56(c); *Celotex Corp. v. Catrett,* 477 U.S. 317 (1986); *Anderson v. Liberty Lobby, Inc.,* 477 U.S. 242 (1986); *Copelands' Enterprises Inc. v. CNV Inc.*, 945 F.2d 1563, 20 USPQ2d 1295 (Fed. Cir. 1991). A party moving for summary judgment has the burden of demonstrating the absence of any genuine issue of material fact, and that it is entitled to judgment as a matter of law. *See, e.g., Copelands' Enterprises Inc. v. CNV Inc.*, 945 F.2d

1563, 20 USPQ2d 1295 (Fed. Cir. 1991). These standards are applicable to proceedings before the Trademark Trial and Appeal Board. *See, e.g., Flow Tech., Inc. v. Picciano*, 18 U.S.P.Q.2d 1970, 1971-72 (T.T.A.B. 1991); *National Football League v. Jasper Alliance Corp.*, 16 U.S.P.Q.2d 1212, 1215 (T.T.A.B. 1990).

In deciding a motion for summary judgment, the Board may not resolve an issue of fact; it may only determine whether a genuine issue of material fact exists. *Lemelson v. TRW, Inc.*, 760 F.2d 1254, 1260 (Fed. Cir. 1985). "Further, as an additional precaution against denying a party its chance to prove a worthy case, any doubt as to the presence or absence of disputed issues of material fact must be resolved in favor of the presence of disputed issues, or in other words in favor of the party opposing summary judgement." *Lemelson v. TRW, Inc.*, 760 F.2d 1254, 1261 (Fed. Cir. 1985). The evidentiary record on summary judgment, moreover, and all inferences to be drawn from the undisputed facts, must be viewed in the light most favorable to the non-moving party. *See Opryland USA Inc. v. Great American Music Show Inc.*, 970 F.2d 847, 23 USPQ2d 1471 (Fed. Cir. 1992); *Copelands' Enterprises Inc. v. CNV Inc.*, 945 F.2d 1563, 20 USPQ2d 1295 (Fed. Cir. 1991).

## IV.

## ARGUMENT

### A. The 1993-1994 Attempts to Transfer the HAVANA CLUB and Design Mark and the Related U.S. Registration Were Invalid, Naked Assignments

Even without the benefit of any discovery, the weight of the evidence clearly points to the conclusion that the U.S. Registration of the HAVANA CLUB and Design mark should be cancelled and that Respondents' purported rights to the HAVANA CLUB mark in the United States are non-existent. The United States Department of the Treasury pursuant to the Trading with the Enemy Act, 50 U.S.C. App. § 1 *et. seq.* issued the Cuban Asset Control Regulations ("CACR") in 1963 imposing a total embargo on all trade between the United States and Cuba. These regulations, *inter alia*, prohibited the importation, distribution or sale in the United States of rum produced in Cuba. (31 CFR Part 515). These same regulations remain in effect today, and since their effective date, no rum produced in Cuba has been lawfully imported into and sold in the United States. Section 515.201(b)(1) of the CACR prohibits all transactions involving transfers of property [such as a U.S. trademark right] in which a Cuban company such as Cubaexport has at any time had an interest of any nature whatsoever "direct or indirect," including transfers of "any property" or "evidences of ownership of property" by any person subject to the jurisdiction of the United States. Section 505.201(b)(2) prohibits all transfers of such property or property interests subject to jurisdiction in the United States. Tangible or intangible property rights in the United States in which Cuban nationals have an interest (like the trademark rights originally claimed by Cubaexport), cannot be transferred or assigned under the CACR without the prior authorization of OFAC. Section 515.203(a) makes any transfer in violation of the CACR null and void and provides that such transfers "shall not be the basis for the assertion or recognition of any interest in or right, remedy, power or privilege with respect to such property."

The CACR further provides that, "[n]o license or other authorization . . . by or under the direction of the Secretary of the Treasury pursuant to . . . the Trading With The Enemy Act . . . shall be deemed to authorize or validate any transaction effected prior to the issuance thereof, unless such license or other authorization specifically so provides." 31 C.F.R. § 515.502(a).

The purported assignments of the HAVANA CLUB mark and the related U.S. registration from Cubaexport to HRL and then to Havana Holdings constituted unlawful attempts to convey U.S.-based assets in which Cuban nationals indisputably had interests. Transfers of such assets are expressly forbidden under the Cuban Asset Control Regulations and, therefore, are null and void. They may also constitute criminal acts. Since rights to the HAVANA CLUB and Design mark in United States and the Related U.S. Registration and the goodwill associated therewith could not lawfully be transferred without an existing, valid license, the purported assignments cannot be "the basis for the assertion or recognition of any interest or right" of Havana Holdings in the trademark HAVANA CLUB and Design in the United States or in the related U.S. Registration. (31 CFR § 515.203(a)). In other words, in trademark terminology, these were invalid assignments-in-gross. Record title remained in Cubaexport while the related Cuban-run business and goodwill went to successive owners ultimately controlled by Pernod.

It is black letter law that abandonment results from an assignment-in-gross and constitutes grounds for cancellation of the registration of the invalidly assigned mark. *Liquid Glass Enterprises, Inc. v. Liquid Glass Industries of Canada, Ltd.*, 14 U.S.P.Q.2d 1976 (E.D. Mich. 1989). *See also Otis Elevator Co. v. Echlin Mfg.*, 187 U.S.P.Q. 310 (T.T.A.B. 1975) (canceling as abandoned, registration owned by assignee after assignment-in-gross); *cf. Johanna Farms, Inc. v. Citrus Bowl, Inc.*, 468 F. Supp. 866, 199 U.S.P.Q. 16 (E.D.N.Y. 1978) (observing that if assignor transfers mark without goodwill "his good intentions will not breathe life back into the devitalized mark" and abandonment results).

Abandonment of the HAVANA CLUB and Design mark is indisputable given that successive naked licenses have been granted in connection with that mark.

Furthermore, it is Petitioners' position, which will be established through discovery, that Respondents were aware of the fact that the purported transfers of the HAVANA CLUB and Design mark in the United States and the Related U.S. Registration were prohibited by the CACR and nonetheless willfully violated those regulations. The payment to Cuban nationals was likewise a violation of the CACR.

Respondents apparently now claim they have an OFAC license that somehow authorized these transfers. (*see* Respondents' Brief at 30-31 and Krinsky Dec. II and Ex. A to Krinsky Dec. II). Examination of this license, however, indicates that the application for the license was made on October 5, 1995 and that the license does not state that it is to have retroactive effect.[3] The alleged transfers of the HAVANA CLUB and Design mark at issue here all took place prior to the application date for the license.[4]

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[3] The license states:

> 1. Pursuant to your application of October 5, 1995, the following transaction is hereby licensed: All necessary transactions are authorized incident to the following assignments of trademark registrations in the U.S. Patent and Trademark Office: (1) *from* Havana Club *to* Havana Rum & Liquors, S.A.; and (2) *from* Havana Run & Liquors, S.A. *to* Havana Club Holdings, S.A. (emphasis in original)

[4] The chronology of the alleged transfers as appears from Respondents' own affidavits and press reports is as follows:

> A. In a document dated October 29, 1993, Cubaexport, a Cuban corporation, attempted to sell, assign and transfer to respondent HRL, another Cuban corporation, the trademarks listed therein, including the trademark HAVANA CLUB.

(continued...)

Under the CACR, a license is not to be given retroactive effect unless it specifically so states. 31 C.F.R. § 515.502(a). Furthermore, the license does not authorize the original transfer from the record owner of the mark in the United States, Cubaexport, and instead, refers to the transfer from an apparent nonexistent entity, "Havana Club," to HRL. Furthermore, the license itself states that it "is granted upon the statements and representations made in [the] application" and the application is not made a part of the summary judgment papers.

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[4](...continued)

B. In November 1993, Pernod Ricard signed a cooperation agreement with a Castro governmental entity, making it the exclusive distributor of HAVANA CLUB rums throughout the world, *including the United States*. Pernod Ricard directly or indirectly paid millions of dollars for this right to Cuban nationals or entities. Shares in respondent Havana Holdings are owned by Pernod Ricard as well as by respondent HRL.

C. On January 10, 1994, Cubaexport purportedly assigned the rights to the HAVANA CLUB and Design trademark in the United States and the related U.S. Registration to respondent HRL, a Cuban company. The assignment recited that the transfer was for $10 and other good and valuable consideration, receipt of which was acknowledged by Cubaexport. The assignment was recorded in the PTO at Reel 1104, Frame 047 on February 10, 1994.

D. On June 22, 1994, respondent HRL purportedly assigned the rights to the HAVANA CLUB and Design trademark in the United States and the related U.S. Registration to respondent Havana Holdings. The assignment also recited that the transfer was for $10 and other good and valuable consideration received by HRL from Havana Holdings. The assignment was recorded in the PTO at Reel 1219, Frame 429 on September 13, 1994 by Rabinowitz, Boudin.

E. On October 27, 1994, Havana Holdings purportedly granted an exclusive license to Havana Club International, S.A., providing Havana Club International, S.A. "with exclusive use of the trademark HAVANA CLUB in connection with the sale of HAVANA CLUB rum all over the world, including the United States".

The OFAC Letter, cited above, certainly contravenes Respondents' factual and legal contentions that the validity of the transfers under the CACR are beyond dispute. Rather, this letter states that OFAC itself is presently investigating the possible unauthorized assignment of interests in Cuban trademarks registered at PTO. The letter also indicates that the assignments of the HAVANA CLUB mark would be null and void if they took place in the manner Petitioners contend they did.

### B. Since the HAVANA CLUB and Design Mark Was Admittedly Never Lawfully Used in the United States by Cubaexport, Any Attempt to Assign That Mark Constituted an Assignment-In-Gross Separate and Apart from the CACR Violations

The HAVANA CLUB and Design mark to which Respondents lay claim has *never* been used in interstate commerce in the United States. Ownership rights in a trademark do not arise, unless and until, the mark is used on, or in connection with, the sale or distribution of goods in U.S. commerce:

> We take it as settled that ownership rights in a trademark in the United States, in the case of private persons, exist only as an appurtenance to a manufacturing or marketing business conducted in the United States in which the mark is used.

*Rogers v. Ercona Camera Corp.*, 277 F.2d 94, 97 (2d Cir. 1960) (citations omitted); *see also Jim Henson Productions, Inc. v. John T. Brady & Associates, Inc.*, 867 F. Supp. 175, 182-83 (S.D.N.Y. 1994) ("And where the Seller [of the mark] has not used the mark so as to invest it with trademark-eligible status, the purchaser does not get even that"). "A trademark has no independent significance apart from the goodwill it symbolizes . . . . If there is no business and no good will, a trademark symbolizes nothing. For these reasons, a trademark cannot be sold or assigned apart from the good will it symbolizes." *McCarthy on Trademarks and Unfair Competition*, § 18.01[2] (1995) (citations omitted). *See also Marshak* *v. Green*, 746 F.2d 927, 223 U.S.P.Q. 1099 (2d Cir. 1984) (holding that a trademark may not be auctioned apart from its goodwill). A valid assignment of the HAVANA CLUB and Design mark could not have occurred at a time when it was (and is) unlawful to carry on the appurtenant business in the United States. *Rogers v. Ercona Camera Corp.*, 277 F.2d 94, 97 (2d Cir. 1960) (citations omitted). Here, no business in the United States has been, or could be established relating to the importation of Cuban rum under the HAVANA CLUB and Design mark, since such importation is unlawful. Accordingly, Cubaexport's assignment of the HAVANA CLUB and Design mark to HRL and the subsequent assignment to Havana Holdings could not effectively convey the goodwill associated therewith and thus constituted invalid assignments-in-gross. Accordingly, all putative rights of Respondents and its alleged predecessor, Cubaexport, in the related U.S. Registration and the HAVANA CLUB mark for rum in the United States have been forfeited.

The law on the assignment of a mark prior to establishing a business suggests nothing to the contrary:

> Transfer of a trademark will not be deemed a transfer in gross if it appears it was transferred for use in a business, not yet established, but for use in a business to be established, and if that business was in fact established. However, this does not mean that the assignor never had any established business. If that was so, there was never any usage of the mark and hence no legal mark at all.
>
> It has been held that a company with an established business can transfer rights in a related potential business. **However, this rule does not apply if, at the time, because of legal restraints, it was *not possible* to establish the potential business in which the mark could be used and in fact none was established.**

*McCarthy on Trademarks and Unfair Competition* § 18.01[6] at 18-9 (1995) (citations omitted). Respondents' reliance on *In re De Luxe N.V.*, 990 F.2d 607, 26 U.S.P.Q.2d 1475 (Fed. Cir. 1993), is therefore entirely inapposite. *In re De Luxe* did not concern an entity, like Cubaexport, that was legally restrained from engaging in the potential business at issue. That decision, furthermore, dealt with section 44 requirements as amended in 1988. Accordingly, the Federal Circuit in deciding *In re De Luxe* did not contemplate the circumstances confronting the Board here, where a mark has been sitting on the trademark Register for twenty years without ever having been used in U.S. commerce.

In yet another bootless gambit, Respondents again put forward an utterly meritless quasi- res judicata/collateral estoppel theory involving *Arechabala*, Respondents' Brief at 32, in much the same way they did in their memorandum of law in support of their motion to dismiss. Here, Respondents speciously argue that in *Arechabala* the Board held there had been no abandonment of the HAVANA CLUB mark due to these assignments-in-gross. Respondents' Brief at 32. Respondents' characterization of *Arechabala*, however, is entirely incorrect. The Board merely held that Respondents had not abandoned the HAVANA CLUB mark through non-use because they had an excusable nonuse defense due to the embargo.[5]

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[5] Although the Board observed that Arechabala had raised the assignments-in-gross as a basis for cancellation of the HAVANA CLUB mark, the Board did not rule in favor of the Respondents on that ground. In any event, despite Respondents' sly innuendos, *Arechabala* has no bearing on this proceeding, which involves different parties. It is well established that "in the case of both res judicata and collateral estoppel, a judgment is conclusive only *against* a party to the action in which it was rendered." 1 B Moore's Federal Practice, ¶ 0.411[1] (1995). Thus, there can be no res judicata or estoppel flowing from *Arechabala* because Petitioners were not parties to that proceeding. *Monsanto Co. v. Dawson Chemical Co.*, 443 F.2d 1035, 170 U.S.P.Q. 1035 (5th Cir. 1971); *U.S. v. Drebin*, 557 F.2d 1316, (continued...)

## C. Petitioners Have Pleaded a Good Misrepresentation Claim Under Section 14(c) of the Lanham, Which Cannot Be Summarily Dismissed

Respondents renewed 12(b)(6) motion to dismiss is untimely in that Respondents have failed to so move prior to interposing their Answer to Petitioners' Amended and Supplemental Petition for Cancellation. Fed. R. Civ. Proc. 12(b)(6). Furthermore, if the Board chooses to treat Respondents' motion as one for summary judgment, then "*all* parties shall be given reasonable opportunity to present all material made pertinent to such a motion by Rule 56." Fed. R. Civ. Pro. 12(b)(6) (emphasis added). Accordingly, Respondents 12(b)(6) motion either should be deemed to have been waived, or Petitioners should be given the opportunity to take discovery in this proceeding pursuant to Rule 56(f). (*See* Petitioners' Memorandum of Law in Support of 56(f) Motion and the Supporting Affidavit of William R. Golden, Jr., dated January 6, 1997.)

In any case, it is clear that Petitioners have set forth a valid claim for cancellation under Section 14(c) of the Lanham Act. Under that section a mark is subject to cancellation "at any time . . . if the registered mark is being used by . . . the registrant so as to misrepresent the source of the goods . . . in connection with which the mark is used." 15 U.S.C.A. § 1064(c). In *M. Aron Corp. v. Remington Products, Inc.*, 222 U.S.P.Q. 93, 95 (T.T.A.B. 1984), the Board held that a party has standing to petition to cancel under Section 14 if it can demonstrate a real interest in the proceeding. Standing is a threshold inquiry directed solely to establishing the real interest of a party. Once a party has established its

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[5](...continued)
195 U.S.P.Q. 619 (9th Cir. 1977) *cert. den.* 438 U.S. 908 (1978).

real interest in the proceeding and demonstrates that it is not a mere intermeddler, it may raise any ground for cancellation that exists under the Act.

Respondents contend that "petitioner must allege a blatant, aggressive misuse of a registered mark by a defendant or respondent in order to trade upon the renown and reputation of the plaintiff or petitioner." Respondents' Brief at 43 (quoting *McDonnell Douglas Corp. v. National Data Corp.*, 228 U.S.P.Q. 45, 47 (T.T.A.B. 1985)). Respondents' reliance on *McDonnell Douglas,* however, is inapposite. The Board dismissed Petitioners' Section 14(c) claim because McDonnell Douglas relied solely on the alleged confusing facial similarity of the two marks as the basis for its 14(c) claim. In short, it masqueraded a standard § 2(a) likelihood of confusion claim as a § 14(c) claim for misrepresentation. The Board in *McDonnell Douglas* distinguished the facts before it from those found in the landmark Section 14(c) case, *Cuban Cigar Brands, N.V. v. Upmann International, Inc.*, 457 F. Supp. 1091, 199 U.S.P.Q. 193 (S.D.N.Y. 1978), *aff'd* 607 F.2d 995 (2d Cir. 1979), which "rested on the defendant's deliberate efforts to confuse the public and to encourage the public to recognize its products for those of the plaintiff." *McDonnell Douglas*, 228 U.S.P.Q., 45, 47 (T.T.A.B. 1985) (rejecting defendant's argument that the marks were incontestable and cancelling them pursuant to Section 14(a)). Here, just such a deliberate attempt to confuse the public is pled.

Respondents' argument, furthermore, flies in the face of the clear language of the statute which defines the wrong as using the mark at issue so as "to misrepresent the source of the goods." Therefore, any misuse of a registered mark that misrepresents the source of the goods gives rise to a claim brought by a competitor who is likely to be damaged by such misrepresentation. This is the only standing requirement for plaintiffs under the false misrepresentation of origin branch of Section 43(a) of the Lanham Act, 15 U.S.C. § 1125(a) and there should be no different standing requirement for misrepresentations under Section 14(c). This is consonant with the legislative history as one abuse the provision was meant to cure was uncontrolled licensing. Consequently, Section 14(c) is violated whenever a registered mark is used as part of a deliberate scheme to pass off goods as originating from a party other than the trademark owner.

HRL also argues that misrepresentation of source cannot occur where the prior user of the mark is not currently selling the product in question. (Respondents' Brief at 26.) To the contrary, the court in *Cubans Cigar Brands, N.V.*, held that the fact that the Cuban government prevented plaintiff from exporting cigars to the United States did not constitute abandonment of the mark, and therefore, did not presumptively negate a claim of misrepresentations of source.[6] Moreover, Respondents apparently are using their purported mark, albeit unlawfully, contrary to their non-use argument. Respondents contend use of the HAVANA CLUB and Design mark is being made in the United States through the purchases of HAVANA CLUB rum made by U.S. tourists. Thus, there is a usage sufficient to deceive U.S. purchasers.

At the time Cubaexport filed its application to register the HAVANA CLUB and Design mark in the United States, Petitioners have alleged that the mark HAVANA

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6 The contention that Petitioners' own allegations impliedly concede that Arechabala has not produced or sold HAVANA CLUB rum since the nationalization of its property in Cuba in 1960 is fallacious. Nowhere is the 1960 date alleged in the petition and numerous Cuban companies like Bacardi survived Castro and have prospered. Moreover, even assuming *arguendo*, that there was a discontinuation of the use of the HAVANA CLUB and Design mark by Arechabala, such an interruption would not entitle respondents to use the identical mark for rum as long as trademark recognition of the Arechabala HAVANA CLUB mark persisted in the United States.

CLUB, to Cubaexport's knowledge, was associated by prospective purchasers in the United States with Jose Arechabala S.A. ("Arechabala"). (Pet. ¶¶ 21, 24.) Respondents' use and registration of the identical mark previously used by Jose Arechabala S.A. was clearly calculated to poach upon the latter's goodwill. *See The E.E. Dickinson Co. v. The T.N. Dickinson Co.*, 221 U.S.P.Q. 713 (T.T.A.B. 1984) (denying motion to dismiss cancellation petition). The formula Respondents use to make their ersatz rum was alleged to be materially different from the formula used by the original producer of HAVANA CLUB rum, Arechabala, and the change was surreptitiously made to deceive the public. Furthermore, as Respondents are forced to concede, on their face the words "Founded in 1878" refer to the historical origin of the company which produces HAVANA CLUB rum (Resp. Br. at 30). Cubaexport, however, was not formed in 1878 (Pet. ¶ 22), so the only rationale for use of such a false statement as part of its registered trademark was to pass off its ersatz HAVANA CLUB rum as that of Arechabala. Consequently, these allegations, coupled with the allegation that as a result of the aforesaid acts of Respondents, the HAVANA CLUB and Design mark is a vehicle for fraud which is being used to misrepresent the source of the rum sold under the mark (Id. ¶ 41), state a good claim of misuse of a registered mark under Section 14(c) upon which relief can be granted.

Petitioners should be afforded the opportunity to take discovery pertaining to their misrepresentation claim which essentially sounds in fraud. For example, Petitioners are entitled to cross-examine Respondents regarding their intentions in adopting the phrase "Fundado en 1878." Furthermore, Petitioners are entitled to obtain discovery showing what Respondents' actual knowledge was as to the fame of the HAVANA CLUB mark in the United States prior to Respondents' usurpation of the Cuban trademark and underlying assets.

### D. Petitioners' Two Fraud Claims Are Replete With Contested Factual Issues That Cannot Be Disposed of At This Stage By Summary Judgment

Petitioners' two fraud claims pose genuine issues of material fact that cannot be summarily determined in Respondents' favor as required. *See e.g., Lloyd's Food Prods., Inc. v. Eli's, Inc.*, 25 U.S.P.Q2d 2027 (Fed. Cir. 1993).

It is indisputable that the issues of good faith, intent to deceive, scienter, and honest mistake in the prosecution of a trademark application are all questions of fact, and as such, cannot be summarily determined. *See Kangaroos U.S.A., Inc. v. Caldor, Inc.*, 778 F.2d 1571, 228 U.S.P.Q. 32 (Fed. Cir. 1985) (finding that summary judgment may not be used to determine intent in patent infringement suit). *See also In re Coordinated Pretrial Proceedings in Antibiotic Antitrust Actions*, 538 F.2d 180, 190 U.S.P.Q. 273 (8th Cir. 1976), *cert. den.* 429 U.S. 1040 (1977), ("[s]ummary judgment is notoriously inappropriate for determination of claims in which issues of intent, good faith and other subjective feelings play dominant roles," *citing, inter alia, White Motor Co. v. United States*, 372 U.S. 253 (1963)).

In *Copeland's Enterprises, Inc. v. CNV, Inc.*, 945 F.2d 1563, 20 U.S.P.Q.2d 1295 (Fed. Cir. 1991), the Federal Circuit vacated and remanded the Board's award of summary judgment in favor of a trademark owner, where the Board had found that the owner had not intended to deceive or mislead the public or the PTO by its technically improper use of a registration notice. The Federal Circuit held that genuine issues of material fact precluded summary judgment in favor of the trademark owner in the cancellation proceeding, finding that "the factual question of intent is particularly unsuited to disposition on summary judgment." *Id.* at 1567, 20 U.S.P.Q.2d 1295.

Here, Petitioners have alleged that Respondents, and the original registrant, Cubaexport, fraudulently maintained and obtained the Related U.S. Registration relating to the HAVANA CLUB and Design mark. Petitioners have also alleged that Respondent Havana Holdings has fraudulently renewed said Registration. The fraudulent intentions of Respondents and the original registrant, Cubaexport, are clearly central issues in this proceeding, and are issues of material fact that may not be disposed of on summary judgment, particularly where, as here, the Petitioners have not had any opportunity to take discovery.

With respect to Petitioners' fraud and other claims, Petitioners, if given the opportunity to do so, by pursuing reasonable discovery, will prove that Respondents and/or Cubaexport had the following fraudulent intentions:

(a) Havana Holdings knowingly misrepresented that it owned the HAVANA CLUB Mark and the Related U.S. Registration in connection with the renewal declaration filed on or about January 12, 1996. *(See* Section IV *infra)*

(b) Cubaexport's statement in the Section 8 affidavit that the HAVANA CLUB and Design mark was "still in use" was made with the fraudulent intent.

In light of the numerous issues pertaining to fraudulent intent in this cancellation proceeding, and the absence of discovery, Respondents' motion for summary judgment on Petitioners' fraud claims must be denied.

V.

## CONCLUSION

It is clear Respondents have utterly failed to meet their burden of establishing that there are not genuine issues of material fact here at issue. Because the "evidence must be viewed in a light favorable to the non-movant and all justifiable inferences are to be drawn in its favor," Respondents' motion must be denied. *Lloyd's Food Prods. Inc. v. Eli's*, 25 U.S.P.Q.2d 2027, 2028 (Fed. Cir. 1993).

It is respectfully requested that Respondents' Summary Judgment Motion be denied and the discovery and trial periods herein reset.

Dated: New York, New York
January 6, 1997

KELLEY DRYE & WARREN LLP
Attorneys for
GALLEON S.A.,
BACARDI-MARTINI, U.S.A., INC.,
and BACARDI & COMPANY, LIMITED

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CERTIFICATE OF MAILING

**Express Mail Label No.: EG179584326**

**Date of Deposit: January 6, 1997**

The undersigned hereby certifies that a true copy of PETITIONERS' MEMORANDUM OF LAW IN OPPOSITION TO RESPONDENTS' MOTION FOR SUMMARY JUDGMENT is being deposited with the United States Postal Service "Express Mail Post Office to Addressee" service under 37 CFR 1.10 on the date indicated above and is addressed to Box TTAB NO FEE, Assistant Commissioner for Trademarks, 2900 Crystal Drive, Arlington, Virginia 22202-3513

Margaret Carrington

Margaret Carrington

CERTIFICATE OF SERVICE

The undersigned hereby certifies that a copy of the foregoing PETITIONERS' MEMORANDUM OF LAW IN OPPOSITION TO RESPONDENTS' MOTION FOR SUMMARY JUDGMENT has been served upon Respondents' attorneys, Michael Krinsky, Esq. at Rabinowitz, Boudin, Standard, Krinsky & Lieberman, P.C., at 740 Broadway, 5th Floor, New York, New York 10003 the address designated by said attorney for that purpose by depositing a true copy thereof with the United States Postal Service as first-class mail on January 6, 1997.

Dated: January 6, 1997

Margaret Carrington

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January 6, 1997

**<u>VIA EXPRESS MAIL</u>**

Box TTAB-NO FEE
Assistant Commissioner
for Trademarks
2900 Crystal Drive
Arlington, Virginia 22202-3513

Re: Galleon, S.A, et al. v. Havana Club Holdings, S.A. et al. - Cancellation No. 24,108

Dear Sir or Madam:

In connection with the above-referenced proceeding, we are enclosing the following documents:

1. Petitioners' Memorandum of Law in Opposition to Respondents' Motion for Summary Judgment;

2. Notice of Cross-Motion Pursuant to Rule 56(f), F.R.C.P.;

3. Petitioners' Memorandum of Law in Support of Their Rule 56(f) Motion for a Refusal of Summary Judgment, or in the Alternative, for a Continuance Allowing Discovery to be Had;

4. Affidavit of William R. Golden, Jr. and the following annexed materials;

   a. Motion for Cause To Take Deposition by Oral Examination;

b. Memorandum in Support of Petitioners' Motion for Cause to Take Deposition by Oral Examination;

c. Notices of Deposition;

d. Petitioners' First Request for Interrogatories; and

e. Petitioners' First Request for Production of Documents.

5. Affidavit of Jennifer Bernheim and annexed Exhibits.

Please acknowledge receipt of the above on the enclosed post cards.

Very truly yours,

Margaret Ferguson

Margaret Ferguson

MF:mc
Enclosures